TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL NOTE

SB 1477 - HB 1536

February 11, 2014

SUMMARY OF BILL: Authorizes a deduction from business taxes for any costs incurred by a natural gas marketer to take title to, transport, or deliver, natural gas to customer facilities located in Tennessee, including pipeline charges, amounts paid to purchase natural gas, and transporting pipeline demand and reservation charges. Defines a natural gas marketer as any business that is not regulated as to rates and services by the Tennessee Regulatory Authority and that provides for its customers within Tennessee: natural gas procurement, shipping, transportation, or ancillary services to procurement, shipping, or transportation of natural gas.

ESTIMATED FISCAL IMPACT:

On February 3, 2014, a fiscal note was issued estimating a fiscal impact as follows:

> *Other Fiscal Impact – According to the Department of Revenue, the annual amount owed in business taxes by natural gas marketers is approximately $532,800. According to the Department, the proposed deduction from the business tax is estimated to result in a 95 percent reduction, or $506,200, in tax liability beginning with FY14-15, of which $209,900 would be the state's portion and $296,300 would be the local government portion. These amounts are considered to be forgone revenue, as the tax has not been collected but is considered owed and would be collected in the future in the absence of this bill.*

Due to an incorrect assumption, this impact was in error. Based on additional information received from the Department of Revenue, the estimated fiscal impact is:

> **(CORRECTED)**
> **Other Fiscal Impact – According to the Department of Revenue, the annual amount owed in business taxes by natural gas marketers is approximately $532,800. Based on information provided by the Department, it is estimated that no such taxes have been collected but are owed to the state and the Department anticipates collecting them in the future. According to the Department, the proposed deduction from the business tax is estimated to result in a 95 percent reduction, or $506,200, in tax liability beginning with FY14-15, of which $209,900 would be the state's portion and $296,300 would be the local government portion. To the extent the revenue owed under current law is collected, there will be a recurring decrease in state and local revenue of**

such amounts. However, to the extent the revenue owed under current law is not collected, this bill will have a not significant fiscal impact on the state or local government.

Corrected Assumptions:

- It is assumed that business tax returns for the tax period January 1, 2014 (effective date of the bill) to December 31, 2014, are due by April 15, 2015. Therefore, the first year impacted by this bill will be FY14-15.
- According to the Department of Revenue, approximately $532,800 in state and local business tax is owed, but not collected, annually from natural gas marketers as defined by the bill. This number is assumed to remain constant into perpetuity. The Department anticipates that such amount is owed under current law and anticipates the collection of such tax revenue in subsequent years.
- Based on industry sources, the Department estimates that the proposed deduction would result in a 95 percent reduction, or $506,160 ($532,800 x 95%), of business tax owed from natural gas marketers, of which $209,850 will be the state's portion and $296,310 will be the local government portion. The Fiscal Review Committee staff does not have access to the data and information upon which these calculations are based and cannot independently verify their accuracy.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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